

**MINUTES OF MEETING OF BOARD OF TRUSTEES OF THE
CITY OF NEWPORT NEWS EMPLOYEES' RETIREMENT FUND**

April 24, 2014

City Council's Conference Room/Tenth Floor

9:00 a.m.

1. Roll Call: JoAnn Armstrong (X), Bill Eastburn (X), Art Gudikunst (X), Philip Hatchett (X), Frank James (X), Bobby Lanier (X), Robert Lee (), Kimberly Powell (X), Richard Wuska (X).

Rich Caplan (X), Marty Eubank (), Bill Keeler (X),
Cathy Matthews (), Tom Mitchell (X), Tonya O'Connell (X)

Others present: Cindy Rohlf, Assistant City Manager
Kimberly Jackson, Benefits Manager
Retirees (3)

2. Call to Order.

The Chairman called to order the regular meeting of the Retirement Board at 9:05 a.m. on April 24, 2014.

Mr. Mitchell introduced the new Benefits Manager for the City, Mrs. Kimberly Jackson.

3. Minutes of Meeting of March 27, 2014:

The minutes were approved as submitted.

4. Committee on Investments:

- a. Assets as of March 31, 2014:

Pension	\$838,227,055
Post Retirement	<u>24,985,409</u>
Total	<u>\$863,212,464</u>

Mr. Gudikunst noted that the Pension Fund balance at the end of March was \$838 million compared to \$834 million at the end of February and \$767 million one year earlier, the Post Retirement Fund at the end of March was \$25 million compared to \$24 million at the end of February and \$22 million one year earlier.

b. Report on Committee on Investments meeting of April 17, 2014:

The Committee asked Mr. Dahab, of Dahab and Associates, to run several asset allocation analyses. No recommendation has been made thus far.

The Committee requested that Ms. Rohlf discuss with the City Manager the ability to have the Code changed to have the flexibility to invest in equities beyond the current 65% limit of the market value of the assets of the Fund. Once the Committee is aware of the City Manager's position, they will be better equipped to make a recommendation to the Board.

Regarding the OPEB Fund, the Committee agreed to recommend to the Retirement Board to liquidate 50% of the equity holdings and hold in the cash account. It was noted that the fund had doubled in size over the past few years due largely to the increase in equities, and that a prudent step is to "take the earnings off the table" for a period and decide what the OPEB Asset Allocation should be going forward. Staff has been directed to place these funds in a short term cash investment held by State Street, custodian bank.

Approved Upon motion duly made, the Board unanimously agreed to transfer \$10,093,900 into the short term cash account held by State Street, custodian bank, from the following managers in the amounts shown:

<i>Stoneridge</i>	<i>\$4,900,000</i>
<i>Lord Abbett</i>	<i>2,500,000</i>
<i>Aberdeen Asset Management</i>	<i><u>2,693,900</u></i>
<i>Total</i>	<i><u>\$10,093,900</u></i>

5. Committee on Administration:

See 9 a., New Business.

6. Disability Review Committee:

There was no report.

7. Benefits & Welfare Committee:

There was no report.

8. Old Business:

Mr. Mitchell announced that the interviews for the investment consultant were held April 21-22, 2014. Thirteen firms responded and six firms were interviewed.

He gave an update on the spring 2014 AMRS Conference held April 14-15. Mr. Mitchell mentioned that there were fifteen participants. He indicated that the performance of the NNERF for 2013 was in the top quartile of the Virginia plans which were in attendance.

The City Manager and Mr. Mitchell (along with the Directors of Budget and Development) met with Standard & Poor's and Moody's in New York for a review of the City's financial condition for purposes of an update on the City's bond rating. Mr. Mitchell reported that there was considerable interest and conversation regarding the Pension Fund, its funded status, and the progress toward funding 100% of the ARC. He noted that the City's rating was raised by Moody's, and now is one notch below AAA for both rating agencies.

9. New Business:

a. Closed Session to discuss prospective investment consultants

A motion was made by the Chairman of the Newport News Employees' Retirement Board of Trustees, which as duly seconded and unanimously approved, that pursuant to Section 2.2-371 1 A. of the Code of Virginia, 1950, as amended, Subsection (29), that the Retirement Board of Trustees hold a Closed Meeting on the subject of contracting with an investment consultant for the Fund, for the purpose of discussing prospective consultants.

The closed meeting is authorized under:

Subsection (29) Discussion of the award of a public contract involving the expenditure of public funds, including interviews of bidders or offerors, and discussion of the terms or scope of such contract, where discussion in an open session would adversely affect the bargaining position or negotiating strategy of the public body.

After coming back into Open Session, the Chairman of the Board of Trustees of the City of Newport News Employees' Retirement Fund certify that, to the best of each member's knowledge, (1) only public business matters lawfully exempted from the open meeting requirements of the Virginia Freedom of Information Act were discussed during the closed meeting held immediately prior to reconvening in this open meeting, and (2) only such public business matters as were identified in the motion by which the closed meeting was convened were heard, discussed or considered in the aforementioned closed meeting of the Retirement Board.

Approved Upon motion duly made, and seconded, the Board unanimously agreed to negotiate with Dahab & Associates a three year contract with five, one year renewal terms, at the City's discretion, and that the contract is subject to review and approval by the City Attorney.

b. Comments from Retirees:

Questions were addressed concerning the transfer of the \$10,093,900 from three fund managers and obtaining copies of the Retirement Board minutes.

Retirees invited the Board to their monthly breakfast, 2nd Tuesday at 9:00 a.m., Golden Corral, Newport News.

c. Mr. Lee, Ms. Matthews and Mr. Eubank asked to be excused due to a prior commitment.

d. **May Board meeting will be Thursday, May 29, 2014.**

A true copy, attest:

A handwritten signature in blue ink that reads "Tom Mitchell". The signature is written in a cursive, flowing style.

Tom Mitchell, Secretary
Board of Trustees